



200107240075

, Skagit County Auditor

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After recording, return to:
Horizon Bank
1020 S. Burlington Blvd.
Burlington, WA 98233

FIRST AMERICAN TITLE CO.
ORIGINAL 65567

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT dated this 18TH day of June, 2001, is by and between THE CITY OF MOUNT VERNON, a Washington municipal corporation, hereinafter referred to as "MOUNT VERNON", and HORIZON BANK, a Washington banking corporation, hereinafter referred to as "HORIZON", and is made in consideration of the following.

1. Recitals.

MOUNT VERNON has entered into a written Lease dated the 19th day of January, 2000, between MOUNT VERNON as Landlord, and S.K.Y. DOMES ENTERPRISES, INC., a Washington corporation, as tenant. HORIZON has agreed to provide financing to the tenant and as a condition to providing such financing requires a first and superior lien and security interest in and to the building and improvements to be constructed upon the premises leased from MOUNT VERNON to tenant. #200001210005

MOUNT VERNON likewise desires to obtain a security interest in and to the building and improvements to be constructed upon the said premises. MOUNT VERNON and HORIZON agree that HORIZON's security interest is to be a first and superior lien and security interest on the building and improvements and that MOUNT VERNON's interest will be secondary and inferior to the interest of HORIZON. To this end MOUNT VERNON is willing to enter into this Subordination Agreement whereby MOUNT VERNON acknowledges that its security interest in and to the building and improvements is inferior to the security interest of HORIZON Deed of Trust which has been recorded in the Auditor's Office of Skagit County, Washington, under File No. AF# 200107180094

MOUNT VERNON's security interest arises out of the terms and conditions of its Lease with tenant, which Lease or a Memorandum thereof has been recorded in the Auditor's Office of Skagit County, Washington, under File No. AF# 200001210005. The parties further agree that this Subordination Agreement will likewise be recorded with the Auditor's Office of Skagit County.

2. Legal Description

The legal description of the real property leased to tenant by MOUNT VERNON is attached hereto and designated "Exhibit A".

3. Subordination Agreement

For good and valuable consideration MOUNT VERNON does hereby agree to subordinate its security interest in and to the building and improvements located on the real property designated as Exhibit A to the security interest of HORIZON as evidenced by HORIZON's Deed of Trust. MOUNT VERNON hereby waives the priority, if any, of its security interest in favor of the security interest in HORIZON and agrees that in the event of foreclosure of the Deed of Trust, that in the event of sale the proceeds of such sale shall first be applied to the obligation or obligations running from tenant to HORIZON and secondly to the obligations running to MOUNT VERNON arising out of the security interest of MOUNT VERNON contained in the Lease between MOUNT VERNON and tenant. By execution of this Agreement, MOUNT VERNON hereby waives any priority of the security interest arising out of its Lease in favor of the security interests of HORIZON arising out of its Deed of Trust to the same extent as if the Deed of Trust had been executed, delivered and or recorded prior to any documents evidencing the security interest of MOUNT VERNON. The parties further agree that any sale of said building and improvements under and by virtue of said Deed of Trust, whether by judicial proceedings, public auction, or private sale, shall be made expressly subject to the aforesaid Lease.

4. Successor and Assigns

This agreement shall be binding on the successors and assigns of the parties to this Agreement.

DATED the day and year first above written.

HORIZON BANK

CITY OF MOUNT VERNON

By: _____

By: _____

Approved as to form: _____

Scott G. Thomas, City Attorney

STATE OF WASHINGTON
COUNTY OF Skagit

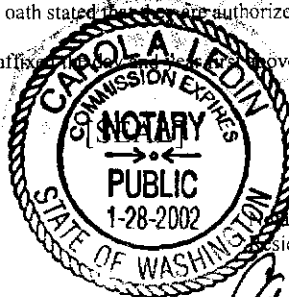
} SS:

On this 18 day of July 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared SKYE L. RICHENDERFER, to me known to be the mayor of The City of Mount Vernon, a municipal corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed on the above written.

My appointment expires:

1-28-2002



Notary Public in and for the State of Washington,
Residing at Sedro-Woolley.

Carol A. Ledin

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